

JPRS 77357

10 February 1981

USSR Report

INTERNATIONAL ECONOMIC RELATIONS

No. 10

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service (NTIS), Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semimonthly by the NTIS, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Indexes to this report (by keyword, author, personal names, title and series) are available through Bell & Howell, Old Mansfield Road, Wooster, Ohio, 44691.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

Soviet books and journal articles displaying a copyright notice are reproduced and sold by NTIS with permission of the copyright agency of the Soviet Union. Permission for further reproduction must be obtained from copyright owner.

10 February 1981

USSR REPORT INTERNATIONAL ECONOMIC RELATIONS

No. 10

CONTENTS

USSR-CEMA TRADE

New CEMA Five-Year Plan's Provisions Reviewed (Igor' Ikonnikov; EKONOMICHESKOYE SOTRUDNICHESTVO STRAN- CHLENOV SEV, No 5, 1980)	1
Specialists Discuss Legal Aspects of CEMA Agreements (M. Braginskiy, Z. Tkach; KHOZYAYSTVO I PRAVO, Sep 80)	6
Need for Integration, Review of CEMA States Statistics (S. Kolchin; VESTNIK STATISTIKI, No 10, 1980)	13
CEMA Ties With LDC's Growing; Afghanistan, Mexico Cited (Yu. Semenov; MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, Oct 80)	18

TRADE WITH INDUSTRIALIZED COUNTRIES

East-West Trade Mutually Beneficial, U.S. Must Lift Bars (V. Yulin, V. Gurevich; EKONOMICHESKAYA GAZETA, Nov 80) ...	28
Current Difficulties in USSR-FRG Trade Analyzed (V. Fedorov; MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, Sep 80)	32

USSR-CEMA TRADE

NEW CEMA FIVE-YEAR PLAN'S PROVISIONS REVIEWED

Moscow EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV in Russian No 5, 1980
pp 96-98

[Article by Igor' Ikonnikov, CEMA Secretariat: "Main Principles and Tasks of the Coordinated Plan of CEMA Member-Nation Multilateral Integration Measures for 1981-1985"]

[Text] The use of interlinked forms of cooperation in the area of planning activity has enabled CEMA member nations to solve complex national economic problems through joint efforts. Coordinating the five-year socioeconomic development plans occupies a leading place here. Along with this, new forms of cooperation aimed at carrying out the Comprehensive Program and further strengthening the production and scientific-technical potential of the fraternal countries have appeared. Among them, an important role belongs to the "Coordinated Plan of Multilateral Integration Measures" (SPMIM).

As is known, the first such plan was developed for the 1976-1980 period. The basic results of implementation of the Coordinated Plan for the current five-year plan testify to the fact that it has facilitated resolving important tasks facing CEMA member-nations, has served their interests reliably, and has embodied the natural tendency of the fraternal countries to draw closer to one another economically on the basis of the international socialist division of labor.

A number of projects and production capacities were created in fuel-energy and other branches of industry as a result of implementation of the Coordinated Plan for 1976-1980 through our joint efforts. They include the 2,777-km "Soyuz" gas main, which will provide the countries participating in the construction with an additional 15.5 billion cubic meters of natural gas in 1980. Capacities to produce 250,000 tons of asbestos were put into operation at the Kiyembayevskiy Ore Enrichment Combine. Construction of a number of ferrous metallurgy facilities is nearing completion. Capacities to produce ferroalloys have been released for operation. A CEMA Member-Nation Civil Aviation Joint Personnel Training Center is being built in Ul'yanovsk (USSR). The international Geological Expedition to the Mongolian People's Republic (MNR) is continuing its work. Production technology and equipment familiarization continues at the Ust'-Ilinskiy Cellulose Plant. The 750-kV intersystem electric power transmission line from Vinnitsa (USSR) to Al'bertirsha (Hungarian People's Republic) which began operating in 1979, has made a major contribution to solving the energy problem.

In accord with the Coordinated Plan for 1976-1980 and the multilateral and bilateral agreements which have been concluded, international production specialization and

cooperation have been broadened and deepened at a number of leading branches of the national economy. Reciprocal deliveries of computer equipment, plant protection chemicals, synthetic dyes, equipment for containerized transport systems, nuclear power plant equipment, passenger cars, rocker bearings, drilling facilities and other items have been significantly increased on this basis.

Seventeen major scientific and technical problems connected primarily with developing fuel and energy branches are being solved through joint CEMA member-nation efforts.

Development of the first Coordinated Plan in the history of multilateral cooperation has enabled CEMA member-nations and Council agencies to check out in practice the effectiveness of this form of cooperation in the area of planning activity, as well as the methods and organization of work to improve the socialist economic integration mechanism.

At present, CEMA member-nations and Council agencies are working on a second Coordinated Plan to cover 1981-1985. From the viewpoint of the basic directions, structure, indicators and methods of calculating them, it is identical to the plan for the current five-year plan. At the same time, there are a number of new factors, both in development and in content, which testify to improvements which have been made.

The basic tasks, methods and organization of work to prepare the Coordinated Plan for the next five-year plan were approved by the CEMA Committee for Cooperation in the Area of Planning Activity. They are based on decisions by the Council Session.

In accord with these decisions, the Coordinated Plan for 1981-1985 will include the most important multilateral integration measures contained in long-range cooperation target programs, measures outlined during the course of plan coordination work, as well as measures carried over from the first Coordinated Plan. They anticipate the joint construction, by the parties concerned, of facilities and additional capacities, involving the material, financial and labor resources of those countries, deepening international production specialization and cooperation on a multilateral basis; working out scientific and technical problems in fields of especially important significance to developing the economy, multilateral integration measures aimed at accelerating the development and increasing the efficiency of the national economy of the Socialist Republic of Vietnam, Republic of Cuba, Mongolian People's Republic, and also the resolution of a number of other important tasks.

One distinguishing feature of the new Coordinated Plan is that it is directly linked to the long-range cooperation target programs (DTsPS). Inasmuch as the DTsPS cover the period to 1990, their concretization in the Coordinated Plan for a five-year period will signify that long-range and current cooperation tasks are interlinked, which is of important significance to the economic development of CEMA member-nations.

Special note should be made of the comprehensive character of the Coordinated Plan. This is connected with the fact that economic integration itself is a comprehensive process encompassing many branches of the national economy, that it is associated with the use of various forms of multilateral cooperation in material production, science and engineering, as well as in the areas of foreign trade and transport.

Take, for example, multilateral integration measures in the area of electric power engineering which were reflected in the Coordinated Plan for 1976-1980. A 750-kV high-voltage transmission line was built; international production specialization and cooperation was developed for nuclear power plant equipment, and a complex of scientific research and planning-design work aimed at creating and utilizing power units with 1,000-mw water-cooled reactors has been done, as has other work to develop the branch.

Other sections of the Coordinated Plan also are comprehensive in nature. The unification of efforts in building projects and additional production capacities, for example, encompasses many directions of cooperation, including deliveries to countries in which these projects, machinery, equipment, means of transport, metal structures and building materials are being erected, carrying out various kinds of construction, installation and planning work and, finally, the delivery to enterprises participating in the construction of output from enterprises created jointly.

The approach to solving national economic problems will also be comprehensive in the Coordinated Plan for the next five-year plan. This approach will be further developed here. The plan will include sections on standardization associated with providing output with technical norms for projects to be built or renovated using International Investment Bank loans.

One important feature of the SPMIM for 1981-1985 will be the broader reflection of multilateral integration measures being carried out by the joint efforts of CEMA member-nations and aimed at helping accelerate the development and increasing the efficiency of the economies of the Socialist Republic of Vietnam (SRV), Republic of Cuba and Mongolian People's Republic (MPR).

A number of new factors are also to be found in the organization of work on the Coordinated Plan for the next five-year plan which permit ensuring its greater stability. The reference is to the fact that the plan contains indicators both for the entire five-year period and by year. In order to refine and propose supplements to the Coordinated Plan as preparations proceed and multilateral and bilateral agreements are signed, it will be submitted by the CEMA Committee for Cooperation in the Area of Planning Activity to the 35th CEMA Session meeting for approval in 1981, that is, after their bilateral general and specific agreements and long-term trade agreements on these questions have been completed.

As before, the basic section of the Coordinated Plan will be devoted to the joint construction of facilities in the fuel-energy and raw materials branches in 1981-1985.

In the course of implementing the DTsPS, CEMA member-nations signed a number of large-scale multilateral agreements on the joint construction of facilities and additional production capacities, which agreements will be included in the Coordinated Plan. It includes an agreement between the Soviet Union, Hungary, Poland and Czechoslovakia on the joint construction of the 4 million-kw Khmel'nitskaya AES in the Soviet Union. In return, Hungary, Poland and Czechoslovakia will receive about 50 percent of the electricity generated here. This large, joint construction project will require considerable financial, material and other expenditures from the participating members. An agreement has also been concluded on cooperation in building and operating the 750-kV power transmission line from the Khmel'nitskaya AES to "Zheshuv" substation (in the Polish People's Republic, PNR).

These large joint construction projects reflect the effort by CEMA member-nations to work together to solve the energy problem, so complex today, by directing large capital investments into this branch and concentrating them at the most important projects.

The Coordinated Plan for the next five-year plan will also anticipate a complex of measures to broaden and deepen international specialization and cooperation in a number of branches of industry, foremost in machine building, which largely determines the technical level of the entire national economy.

A special section devoted to this form of cooperation will include a number of important measures stemming from the long-range cooperation target programs, in the area of machine building in particular. In this connection, exceptional importance is taken on by the agreement, concluded in accord with the DTsPS, on multilateral production specialization and cooperation and reciprocal deliveries of equipment for nuclear power plants in 1981-1985. It is closely linked to the programmed construction, with the technical assistance of the Soviet Union, of nuclear power plants in the CEMA member-nations concerned in accord with a general agreement on cooperation in the long-range development of CEMA Member-Nation Unified Electric Power Systems during that period.

This integration measure is the largest, in scope and expenditures, in the history of international production specialization and cooperation ever to be carried out by CEMA member-nations in the area of machine building.

The Coordinated Plan for 1981-1985 will include measures associated with an agreement signed by Bulgaria, Poland, Romania, the USSR and Czechoslovakia to deepen specialization and cooperation in mining equipment and in subassemblies and parts for it.

Also included in the Coordinated Plan will be a number of other measures on developing production specialization and cooperation, including ones contained in the last plan and agreements on which have been extended to the next five-year period.

Inclusion in the SPMIM of a special section on developing very important selected international production specialization and cooperation measures permits reflecting a strategic line in this area, ensuring a selective approach in the planned shaping of machine-building complexes of CEMA member-nations, and emphasizing the importance of priority types of production in accordance with bilateral and multilateral agreements on international specialization and cooperation. And that concerns not just finished products, but also subassemblies and parts. An important role is also played by the fact that measures on cooperating in material production will be linked in the Coordinated Plan with measures in the areas of science, engineering and standardization.

The section devoted to assisting Vietnam, the Republic of Cuba and Mongolia to accelerate their economic development is of special importance. Appropriate multilateral agreements have already been concluded on certain measures which will be included in the Coordinated Plan for 1981-1985. Thus, the CEMA member-nations concerned have signed an agreement on intensifying geological surveying work in the Republic of Cuba and on intensified work of that kind in the MNR. Preparations are now underway to sign several other agreements which will also be part of the Coordinated Plan for 1981-1985.

One important direction in which the effectiveness of the Coordinated Plan as a planning-organizational document for multilateral cooperation is being ensured is the fact that it is being closely coordinated with the national economic plans for the next five-year plan by preparing special sections on economic integration in those plans. Resolution of this task is aimed at increasing planning responsibility for carrying out the obligations stemming from the SPMIM and the agreements concluded for those countries.

The Coordinated Plan is also a good tool for systematically observing the process whereby socialist economic integration is developing, both in the CEMA member-nations and in Council agencies, on the basis of state statistical reporting.

Thus, development of the draft of and implementation of the Coordinated Plan of Multilateral Integration Measures for CEMA Member-Nations for 1981-1985 will facilitate further strengthening the planning bases of multilateral cooperation, implementing the Comprehensive Program and long-range cooperation target programs, and increasing the effectiveness of economic and scientific-technical cooperation within the framework of the Council for Economic Mutual Assistance.

COPYRIGHT: Sovet Ekonomicheskoy Vzaimopomoshchi Sekretariat Moskva, 1980

11052

CSO: 1825

SPECIALISTS DISCUSS LEGAL ASPECTS OF CEMA AGREEMENTS

Moscow KHOZYAYSTVO I PRAVO in Russian No 9, Sep 80 pp 74-78

[Article by Doctor of Legal Sciences M. Braginskiy, chief of the legal problems of foreign economic ties sector at VNIISZ (All-Union Scientific Research Institute of Soviet Legislation), and Z. Tkach, responsible secretary of the Soviet section of the Conference of CEMA Member-Nation Representatives on Legal Questions: "CEMA. Production Specialization and Cooperation: CEMA OUSK's (expansion below) and Specific Agreements"]

[Text] On 26 July 1979, the Presidium of the USSR Supreme Soviet ratified the "General Terms for Specializing and Consolidating Production Among CEMA Member-Nation Organizations"¹ (CEMA OUSK), which had been approved by the CEMA ispolkom. In so doing, the CEMA OUSK became part of the Soviet legislation.

Along with the interstate and interdepartmental agreements already examined in the two previous issues of this magazine, they are called upon to regulate relations among economic organizations of CEMA member-nations.

In terms of branch affiliation, the CEMA OUSK norms come under civil law. As do all other international contracts (agreements) including civil-law norms in which the USSR participates, the CEMA OUSK possess special legal force within our country. The "Bases of USSR and Union Republic Civil Legislation"² anticipate that if an international agreement in which the USSR participates sets rules different than those contained in Soviet civil legislation, then the rules of the international agreement apply (Article 129).

This last outcome takes on very important significance, inasmuch as the CEMA OUSK include a certain number of resolutions differing from those in the civil legislation in effect on a number of important questions. In support of this, one need only turn to the CEMA OUSK section devoted to limitation of actions, which anticipates that a limitation of action will be put to arbitration if a debtor refers to it, but under Article 16 of the "Bases," a limitation of actions is put to arbitration or brought before a court or arbitration tribunal whether or not the parties so petition.

1. VEDOMOSTI VERKHOVNOGO SOVETA SSSR, No 31, 1979, p 517.

2. Subsequently referred to as "Bases."

The CEMA OUSK sets the overall term of a limitation of action at two years, and a special term for fines at one year, while the term for defending a right is three years in the RSFSR Bases and Civil Code (one year for suits by socialist organizations against one another), and a reduced period of six months is set for levying a forfeiture penalty. The list of differences concerning limitation of actions could be continued.

There are also a number of other differences. For example, as distinct from Article 36 of the Bases, which establishes a presumption favoring a penalty set-off, the CEMA OUSK presumes that the penalty will be exclusive in nature. One other example: although Article 190 of the RSFSR Civil Code admits the possibility of reducing the amount of a penalty by jurisdictional organs, the corresponding CEMA OUSK norm prohibits reducing the amount of a penalty awarded.

The CEMA OUSK anticipates that "these 'General Terms' will apply to civil-law multilateral agreements on production specialization and cooperation concluded by organizations of more than two CEMA member-nations" (Article 1). The norm cited permits the conclusion that this document covers relations possessing two features: they are civil-law in terms of structural features and multilateral in terms of subjective composition. In this regard, the number of parties is determined in this instance exclusively as the number of countries represented by the organizations.

As distinct from certain other international documents, the CEMA OUSK does not contain instructions of a restrictive nature relative to the terms of their effect, which signifies that they apply to any agreement meeting the two criteria indicated, regardless of whether it includes a remission of the type "in everything else, the parties will be governed by the CEMA OUSK." In its absence the parties, or in the case of a dispute, the court of arbitration must be governed by the CEMA OUSK. It should be noted that the CEMA OUSK are intended for civil-law relations and so can not be applied to international agreements on specialization and cooperation which have been concluded at the governmental, ministerial or departmental level by the corresponding countries. In this regard, the branch affiliation of the agreement is in no way dependent on whether organizations of two or more countries participate in it. The number of countries represented by organizations participating in an agreement is another matter. However, there are no obstacles, in principle, to extending the CEMA OUSK to cover any civil-law agreements on international specialization and cooperation concluded by organizations of just two countries. It is all simply a matter, as is outlined directly in the CEMA OUSK, of their being always used for multilateral agreements, but for bilateral agreements -- only given a special instruction to that effect contained in the agreement itself. This could be important in the future, since current practice in concluding bilateral production specialization and cooperation agreements is along the lines of shaping relations at the intergovernmental and interdepartmental levels.

In this regard, it is important to stress that a bilateral agreement can also contain a general remission to the CEMA OUSK and in equal measure a remission to individual paragraphs (points in paragraphs).

From the viewpoint of the nature of their validity, CEMA OUSK norms can be reduced to four types: absolutely mandatory (imperative), relatively mandatory (dispositive), conditionally mandatory (optional) and recommended.

The validity of the absolutely mandatory norms does not depend on the will of the parties. They are therefore applied even if the agreement outlines another rule different from that established in the CEMA OUSK. Of course, this applies only to multilateral agreements on specialization and cooperation.

In connection with the fact that the absolutely mandatory OUSK norms operate independently of the content of the agreement, it should be recognized that despite the fairly widespread practice, it is inappropriate to reproduce them in the text of a multilateral agreement. Neither is it necessary to reproduce them in a bilateral agreement on specialization and cooperation if only that agreement contains an unconditional remission to the CEMA OUSK.

A majority of the CEMA OUSK norms are relatively mandatory. The external indication of such norms is the inclusion in them of a special instruction that: "If not otherwise outlined by the agreement..." (see, for example, §5, point 3, §§17, 49 and others). In all such cases, with consideration of the features of the relations which have evolved between them, the parties can agree to any variant of necessary or possible conduct. And only if they do not avail themselves of the right granted them will the corresponding CEMA OUSK norm be in effect. Therefore, when the other contracting parties consider the variant contained in the CEMA OUSK to be the optimum, there is no need to either reproduce it in the agreement or to even include a remission in the agreement.

A considerable number of CEMA OUSK instructions are concerned with provisions midway between imperative and dispositive norms. In form, they appear to be imperative norms, since they do not contain the proviso essential to the dispositive norm ("if not otherwise outlined by the agreement..."). However, it must be borne in mind that under point 2 of §1 of the CEMA OUSK, "in those cases where the parties conclude, when concluding an agreement, that, due to the specifics of the subject of the agreement, deviation from individual provisions of these General Terms is required, they can so agree in the agreement." Therefore, norms not containing a special proviso also assume the right of the parties to anticipate something different in the agreement. As a result, it is primarily norms relative to which the CEMA OUSK themselves directly prohibit deviations from them which must be recognized as imperative not only in form, but also in essence. They include CEMA OUSK paragraphs included in section 7, "Limitation of Actions" (§§ 38-47), inasmuch as according to §47, "deviations from the enactments outlined by this section are not permitted."

Conditionally mandatory (optional) norms are those in effect only when the parties have included in the agreement a direct remission to a desire expressed positively in some manner to apply the corresponding rule in interrelationships between them; otherwise, the rule secured in the optional norm will not be applied at all. In this sense, point 2 §15 of the CEMA OUSK is probably most important. The wording of the norm secured in it permits the conclusion that the obligation of the non-specializing party to cease and (or) not organize the production of specialized output while the agreement remains in effect exists only when that obligation is outlined by the agreement. In this regard, it must without fail define "appropriate terms and periods."

Finally, a number of CEMA OUSK norms not offering any variant are limited by a direct remission to agreements (which is the nature, for example, of §16 of the CEMA OUSK, which anticipates that the parties must assist each other in scientific and

technical research and planning-design work aimed at improving technical-economic and qualitative characteristics on the terms agreed to in the agreement or in accordance with them). These are recommended norms. The point of these norms is to recommend that the parties secure their choice of some concrete solution to a corresponding problem in the agreement in order to eliminate in the future any possible vagueness about their interrelationships.

The CEMA OUSK (§4) enumerate the terms which must be contained in an agreement "at a minimum." The reference is obviously to so-called essential conditions in whose absence an agreement on specialization and cooperation cannot be considered concluded at all. They include: distribution of specialized output production, technical-economic parameters and qualitative characteristics, delivery amounts and schedules and prices.

However, the parties must also exhibit maximum activeness in agreeing on other terms of the agreement, bearing in mind that a majority of the CEMA OUSK norms are dispositive, optional or recommended in nature. Moreover, a number of questions which will presumably arise in carrying out the agreement are not regulated at all by the CEMA OUSK.

Contract practice (referring foremost to agreements concluded prior to 1 January 1980) has worked out rather stable variant wordings for the individual terms.

a) Subject of the Agreement. Under the general rule, special supplements to the agreement contain, first, the distribution of specialized output production among the individual parties, second, the delivery amounts and schedules, and third, the technical-economic parameters and qualitative characteristics of the output.

The CEMA OUSK pay considerable attention to output quality. In this connection, point 3 of §15 in particular anticipates that the specializing party will be obligated to constantly improve the specialized output, ensuring improvement in its quality and technical level based on the achievements and progressive trends of world science and engineering in that area, as well as on consumer experience in using that output, with a view towards improving its ability to compete in the world market in terms of all indicators. This general demand can have actual importance only if it is suitably concretized by the parties. Unfortunately, the parties have thus far limited themselves to indicating in an appendix only the general qualitative characteristics of the output.

All this gives us grounds for speaking of the necessity of including in agreements provisions on the scientific and technical cooperation of the parties, on coordinating actions in the purchase of licenses, schedules for introducing better-quality items, and so forth. Failure to meet these terms of an agreement would enable us to pose the question of possible steps to influence the specializing party which is not meeting obligations to improve a product. In this regard, the reference is not only and not so much to responsibility in the form of a fine or reimbursement for losses as it is to price discounts, a reduction in purchase volume, and so on.

As follows from point 3 of §15 of the CEMA OUSK, when several economic organizations enter into an agreement simultaneously, rights and obligations can be distributed among them in a definite manner. This distribution must be reflected in a corresponding supplement to the agreement. And then each of the country's economic organizations would be answerable to the other contracting party only within the limits of

its share, as stipulated in an appendix. Otherwise, the economic organizations of one country would bear a joint and several liability before the other contracting party, as is anticipated in point 3 of 93. Although that is not directly established by the corresponding norm, it is obvious that in the absence of a distribution of responsibilities among the economic organizations of a country, the latter must admit not only to joint and several debtors, but also to joint and several creditors.

When a contract is concluded, the quantitative indicators secured in the agreement supplement are binding on the parties. In this regard, a comparison of the cost subject to the production and delivery of output which is indicated in the specialization and cooperation with the sum indicated in the contracts enables one to determine the degree to which the parties meet their obligations under the agreement. The contracting parties often agree to permit contract deviations from the delivery volumes anticipated by the specialization and cooperation agreement. If there is no such condition in the agreement, in our opinion, a deviation from the volumes indicated in it which is exercised on the demand of one of the parties could be viewed as a violation by that party of the specialization and cooperation agreement.

The CEMA DUSE anticipates the necessity for the specializing parties to meet the other contracting party's product requirements (including output additionally applied for). To meet this goal, a nonspecializing party must submit an application to meet additional needs no later than the first quarter of the year preceding the year of delivery. Sometimes other contracting parties take advantage of the right granted them to agree to other time periods. In this regard, the parties try when necessary to differentiate them. Thus, an agreement often anticipates that applications for final items must be submitted before those for parts and subassemblies.

A specializing party must ensure that output conforms to the mandatory directions on labor protection, equipment safety, environmental protection and other technical, sanitation-hygiene, and so on, directions. In turn, a nonspecializing party is obligated to inform the specializing party as to the content of the directions in effect in this regard in its country. They may be reproduced in a supplement to the agreement. A different version should be considered a better choice: the nonspecializing party is obligated to transfer to the other contracting party (parties) the necessary directions within a certain period specified in the agreement.

b) Prices. The CEMA DUSE (94) permit a dual possibility of agreeing to a corresponding condition: by indicating a precise price or just a procedure for setting a price on the basis of CEMA price-formation principles, methods and recommendations in effect. The second variant is ordinarily used. In practice, price terms are standard, inasmuch as they rely on the recommendation of the CEMA Permanent Commission for Foreign Trade, which has approved a standard article on prices for inclusion in agreements.

c) Foreign Trade Cooperation. This group includes foremost conditions anticipating different specific time periods: concluding output delivery contracts, sending proposals (bids) on concluding contracts, acceptance by a party of an offer received, settling disagreements arising when concluding agreements, maximum default period in concluding a contract which would give one party the right, in turn, to refuse to meet a similar obligation (to conclude the contract).

The question of re-exporting specialized output deserves special examination. It is known that the CEMA DUSE leave it open. The variant which is widely used is to permit

re-exporting only with the written consent of the organization of the specializing party which is empowered to engage in foreign trade operations. Such consent must also include the re-export terms.

However, there are exceptions to this rule. When the reference is to delivering output intended to complete sets or ensure the operation of equipment, there is no need for such consent. If this kind of output has a clear patent in the country in which the re-exporting is being done in accord with written confirmation by the specializing party, the nonspecializing party has the right to resolve the re-export question independently. It is obligated only to inform the other contracting party, the specializing party, about the re-export.

d) Responsibility for Violating an Agreement. The CEMA OUSK outline the right of the injured party to demand payment of a penalty (fine) in only one instance: defaulting on concluding a contract (§26). The contracting parties are additionally entitled to agree to the necessity of paying penalties (fines) for failure to meet any other obligation outlined by a concrete agreement regardless of whether the reference is to a new obligation or to one contained in the CEMA OUSK. In view of the advantage of fines (foremost the ease of calculating their amounts and the possibility of materially influencing the violator of an agreement independently of losses to the injured party), it is appropriate for the contracting parties to discuss the question of additionally including in the agreement conditions on fines for various important violations of the agreement (for example, violating obligations outlined by individual points of §§13, 14, 19 and others).

In practice, to supplement the penalty now anticipated in the CEMA OUSK, a specific agreement includes only conditions for levying a fine for failure by a specializing party to utilize production, for failure to stop producing specialized output, and also for a nonspecializing party's organizing new production of specialized output. The usual reference is to exacting from a contracting party violating an agreement a fine in the amount of eight percent of the cost of all output to be delivered in a given year and not produced by the specializing parties or, correspondingly, eight percent of the cost of specialized output produced by nonspecializing parties.

Agreements generally anticipate the possibility of freeing a nonspecializing party from liability in cases when it can be proven that those actions by it result from the failure of a specializing party to carry out counter obligations under an agreement.

As was already noted, the CEMA OUSK secure a presumption favoring the exclusive fine. Correspondingly, when an obligation covered by a fine is not met, the injured party has the right to demand from the contracting party at fault only payment of the fine, without the right to reimbursement for losses incurred. The parties can, however, indicate something different in the agreement. The reference is to one of three variants from among which the contracting parties are given the right to choose, by mutual consent. They can acknowledge the right of the injured party to reimbursement of all losses in addition to the fine, to reimbursement of that portion of the losses not covered by the fine or, finally, the right to choose either payment of the fine or reimbursement of losses. In the latter case, the injured party, once having demanded payment of a fine, is thus deprived of the right to reimbursement of any losses whatsoever.

It should also be borne in mind that contracting parties are given the opportunity to include in the agreement a condition anticipating a level of loss reimbursement different from that established by the CIMA OUSK (on the strength of point 7 of §28, if not otherwise outlined by the agreement, losses are subject to reimbursement only in the amount of half the total loss). In this regard, the parties can outline a deviation from this principle either for all obligations recorded in the agreement or just for individual types of obligations.

e) Claims. The CIMA OUSK outlines time periods for submitting only one type of claim, for payment of a fine (§33). It is therefore appropriate to outline in an agreement the periods for submitting claims both on other grounds and on another subject (specifically, on reimbursing losses).

f) Terminating an Agreement. The CIMA OUSK give contracting parties the opportunity to indicate in an agreement obligations in connection with which an injured party may have the right to unilaterally refuse to meet its own obligations. Bearing in mind such instances, the parties are also entitled to define what consequences for their interrelationships must ensue given unilateral abrogation of an agreement. Consideration should be given to the fact that, on the strength of §51, termination of an agreement does not signify automatic termination of contracts based on that agreement. This ensures the stability of relations based on international specialization and cooperation. However, if the parties for some reason consider it necessary, they can stipulate in the agreement that contracts are automatically terminated by linking this consequence to a strictly defined circle of circumstances. At the same time, the contracting parties are granted the right to indicate in the agreement precisely what obligations retain legal validity even though the agreement is terminated. And as concerns obligations connected with confidentiality, they all retain their force regardless of instructions regarding this which are contained in an agreement.

g) Concluding Provisions. Agreements on international specialization and cooperation ordinarily contain a number of points in a single section. Some correspond to specific conditionally mandatory CIMA OUSK norms or differ from them. Others resolve problems left open by the CIMA OUSK. The following points, in particular, deserve attention:

- that an agreement goes into effect not when it is signed, but some time later (usually 90 days) after the agreement is signed;
- on the obligations of the contracting parties when, under the legislation of their countries, the agreement must be approved by the proper authorities; steps are taken to obtain such approval and to officially notify the depositary that such approval has been obtained within 90 days;
- the possibility of and procedure for organizations from countries which have signed a specialization and cooperation agreement and those from third countries to enter into an agreement;
- the necessity, when the period an agreement is to be in effect is extended not later than one year prior to its expiration, of agreeing on the amounts and delivery of specialized output in the subsequent period, as well as output technical-economic parameters and quantitative characteristics;
- recognizing the CIMA Secretariat as depositary;
- that all protocol originals on supplements to, changes in and termination of an agreement are to be drawn up in Russian and transferred for storage to the depositary.

That is a sample range of the conditions most frequently encountered in agreements on international specialization and cooperation.

NEED FOR INTEGRATION, REVIEW OF CMEA STATES STATISTICS

Moscow VESTNIK STATISTIKI in Russian No 10, 1980 pp 52-56

[Article by S. Kolchin: "Socialist Economic Integration and Its Statistical Study"]

[Text] One characteristic feature of the current economic status of CMEA member-nations is the expansion and deepening of the interaction of their economies in the course of socialist economic integration, which "...is a process of international socialist division of labor, rapprochement of their economies and shaping of a modern, highly efficient national economic structure and gradual rapprochement and equalization of the levels of their economic development, consciously and deliberately regulated by the communist and worker parties and governments of CMEA member-nations...."¹ The changeover to integration resulted from the objective necessity of further developing cooperation among the fraternal countries. Prospects for integration over the next 15-20 years in such very important areas as planning, science, engineering, foreign trade, standardization and various branches of the economy have been outlined in the "Comprehensive Program of Further Intensifying and Improving Cooperation and Developing CMEA Member-Nation Socialist Economic Integration." This program, as was noted at the 25th CPSU Congress, "raises cooperation by the socialist countries to a considerably higher level than simply developing trade. It signifies, for example, the joint utilization of natural resources for common use, joint construction of large industrial complexes intended to meet the needs of all participants, cooperation planned many years in advance among enterprises and entire branches of industry in our countries."²

During the years which have passed since the Comprehensive Program was adopted, CMEA member-nations have achieved impressive successes in the economic area. During the 1971-1979 period, their summary national income grew by 62 percent and industrial production grew by 79 percent. The achievements of countries of the socialist community in raising the standard of living of the workers have also been significant. During that same period, actual per capita incomes in Poland and Romania increased by more than 70 percent, in the GDR -- by nearly 60 percent, and in Bulgaria, Hungary and the Soviet Union -- by approximately 40 percent. The CMEA member-nation

1. "Kompleksnaya programma dal'neyshego uglubleniya i sovershenstvovaniya sotrudnichestva i razvitiya sotsialisticheskoy ekonomicheskoy integratsii stran-chlenov SEV," Moscow, Politizdat, 1971, p 7.
2. "Materialy XXV s"yezda KPSS" [Materials of the 25th CPSU Congress], Moscow, Politizdat, 1977, p 9.

successes in economic and social development are connected largely with their advancement along the path of socialist economic integration. During 1971-1979, mutual trade turnover for CEMA member-nations grew by more than three-fold. Thus, we have confirmed V. I. Lenin's words that "...the legitimate demands and progressive strivings of the working masses of all nationalities will be satisfied for the first time in international unity, on the condition that today's national barriers are destroyed."

As an integral feature of the economic development of CEMA member-nations, integration will doubtless become an object of independent statistical study. In works devoted to problems of the theory of international socialist division of labor and the economic integration of the nations of socialism, attention has repeatedly been focused on the necessity of supplementing existing branch statistics, and in particular, statistics on foreign trade, international socialist division of labor and integration.² It should be noted that, in spite of the complexity of developing statistics on a multifaceted, continuously developing process such as the international socialist division of labor at the integration stage, we can already speak of certain achievements in this area. In particular, this applies to problems of observing the course of implementation of the Coordination Plan for CEMA Member-Nation Multilateral Integration Measures in 1976-1980.

The "Communique on the Fifth Meeting of the CEMA Committee for Cooperation in the Area of Planning Activity" (1973) noted that "the compilation of such a plan, along with the development of existing forms of coordination of CEMA member-nation plans, permits the more effective and better-planned implementation of a number of major projects involving the creation of production capacities in the most important branches of the national economy, production specialization and cooperation on a multilateral basis, and other measures aimed at developing socialist economic integration whose actualization is connected with the necessity of combining the material, financial and labor resources of CEMA member-nations." The CEMA 29th Session held in June 1975 approved the Coordination Plan of CEMA Member-Nation Multilateral Integration Measures for 1976-1980. Adoption of the plan was an important step in actualizing the principles embodied in the Comprehensive Program, in improving the socialist economic integration planning mechanism. The plan orients the fraternal countries towards resolving the most important tasks of their economic development through joint efforts.

Simultaneously with development of the Coordination Plan, the statistical tools for following its fulfillment were prepared. The first meeting of CEMA member-nation statisticians devoted to organizing observance of progress in carrying out the Coordination Plan, which laid the foundation for collecting standard statistical data on that question, was held in 1975. Subsequently, to improve the organization and methodology of statistical observance of progress in carrying out the Coordination Plan, a large role was played by the conference of CEMA member-nation statisticians held in December 1977. The first results from collecting and generalizing statistical data on carrying out integration measures of the Coordination Plan in 1976

1. V. I. Lenin, "Poln. sobr. soch." [Complete Collected Works], Vol. 26, p. 40.

2. See, for example, V. P. Sergeyev, "Mezhdunarodnoye sotsialisticheskoye razdeleniye truda: pokazately i tendentsii razvitiya" [International Socialist Division of Labor: Development Trends and Indicators], Moscow, Izd-vo Mysl', 1979, p. 9.

were summed up at that conference; it was noted that this work is the start of CEMA member-nation cooperation in a new area of international statistics; the "Program for Collecting Reporting Data on the Coordination Plan of CEMA Member-Nation Multilateral Integration Measures for 1976-1980," which was approved subsequently at the 31st meeting of the CEMA Permanent Commission for Statistics, held in May 1978 in Dresden, was coordinated. The tables and statistical indicators contained in the Program correspond to the sections and indicators of the Coordination Plan.

Section I of the Coordination Plan included measures on joint construction of projects and additional capacities involving the means of the countries concerned. The extremely pressing task of meeting the growing requirements of CEMA member-nations for fuel and raw material is being resolved through the joint construction of industrial projects. The total estimated cost of the projects included in the Coordination Plan is approximately nine billion transfer rubles. Among them are such very large fuel and raw-material complex facilities as the "Soyuz" gas main, the Kiyembayevskiy Ore Enrichment Asbestos Combine, the Ust'-Ilimskiy Pulp and Paper Combine, the 750-kV high-voltage electric power transmission line between Vinnitsa (USSR) and Al'bertirsha (Hungary), and plants to produce ferroalloys and ferriferous raw material. With the start-up of these facilities, CEMA member-nations will obtain each year from the USSR an additional nine million tons of ferriferous raw material, 200,000 tons of ferroalloys, 180,000 tons of asbestos, 200,000 tons of bleached cellulose, upwards of six billion kilowatt-hours of electricity and 15.5 billion cubic meters of natural gas. These deliveries will be a significant contribution to providing the national economy of the fraternal countries with energy and raw material.

A harmonious combination of multilateral and bilateral ties ensures the actual, effective unification of efforts of the countries concerned in the joint solving of the most large-scale national economic problems and permits the more intelligent use of available material, financial and labor resources.

The statistical indicators anticipated by the Program for Collecting Reporting Data on the Coordination Plan describe both progress in the construction of integration projects and deliveries of goods associated with them. They are, on the one hand, indicators of capital investments and the start-up of production capacities, and on the other, indicators of deliveries of goods for projects under construction and exports of output from capacities which have been put into operation in the countries participating in the construction in payment for their share of the participation. The recording of deliveries for joint construction projects is regulated by a special section of the "Basic Methodological Provisions of CEMA Member-Nation Foreign Trade Statistics." In particular, they define the content of the concept of "delivery in complete sets," the procedure for recording operations connected with "turn-key" construction, and certain other questions.

The results of statistical observation of the first three years of the five-year plan show that capital investments totalling about five billion rubles were utilized. The importance of the "Soyuz" gas main, 750-kV power line between Vinnitsa (USSR) and Al'bertirsha (Hungary) and the first line of the Kiyembayevskiy Ore Enrichment Asbestos Combine which were put into operation has been great to the economies of the fraternal countries. Thus, GDR economists have estimated that the amount of natural gas the GDR will receive each year through the "Soyuz" gas main will be equivalent to the energy from 20 million tons of lignite coal, but the proportionate participation of this country will be 7.5-fold less than the cost of mining and processing that

amount of coal. Putting the 750-kV high-voltage power line between Vinnitsa (USSR) and Albertiraha (Hungary) into operation will permit creating a unified power system with a capacity of 160,000 MW, which it is estimated will create an impact equivalent to the construction of additional power plants with a total capacity of 1.2 million kilowatts.

As the statistical observation showed, CEMA member-nations are successfully carrying out plans for delivering goods for joint construction projects: machinery and equipment, building materials and consumer goods. For example, deliveries of goods for the Ost'-Ilmskiy Pulp and Paper Combine were distributed in a ratio of 22, 40 and 35 percent among these three main groups of goods. Return deliveries of natural gas, electric power, ferriferous raw material and ferroalloys from the USSR to CEMA member-nations began in 1979.

Section II of the Coordination Plan contains measures on production specialization and cooperation on a multilateral basis which demand considerable expenditures by the parties concerned. In it are agreements in the area of creating capacities to produce plant protection chemicals, on specializing and consolidating the production of container transport system equipment, nuclear power plant equipment, "Zhiguli" passenger cars, rocker bearings, drilling equipment, and equipment for extracting petroleum and gas, synthetic dyes.

The statistical observation program anticipated giving exporter countries information on deliveries of specialized output in a cross-section of consolidated commodity positions based on multilateral agreements included in the plan. A special form of foreign-trade association reporting on deliveries of specialized output has been developed for these purposes in the USSR.

Production specialization and cooperation statistics derived within the framework of observing implementation of measures in the Coordination Plan are also a component of statistics on specialization and cooperation in general, one of the main sections of integration statistics. Production specialization and cooperation play a big role in the development of the economies of individual CEMA member-nations and of the community as a whole. Questions of developing this form of cooperation were the object of special attention during the meetings in the Crimea in 1978-1980 between Comrade L. I. Brezhnev, CPSU Central Committee General Secretary and USSR Supreme Soviet Presidium Chairman, and leaders of the fraternal countries. In practice, the policy of developing specialization is manifested in rapid growth in trade turnover in specialized output among CEMA member-nations, in an increased share of this output in total deliveries. Thus, in 1973-1979 the proportion of specialized output in reciprocal trade in machinery and equipment increased two-fold, to 36 percent, and that share also increased considerably in trade in chemical industry output. Naturally, statistics is also contributing to evaluating and analyzing the results of developing this very important form of CEMA member-nation cooperation. Current statistical practice encompasses both the production of specialized output and imports and exports of such output. The recording is done not just on a national economic scale, but also by important branches of industry. Since adoption of the Program for Collecting Reporting Data on the Coordination Plan, multilateral CEMA member-nation cooperation in production specialization and cooperation has become an object of special statistical observation.

This cooperation enables us to best coordinate the efforts of the countries and to use resources more effectively. Thus, under one of the multilateral agreements in

the Coordination Plan, Poland will receive about 4,500 tons of plant protection chemicals, basically from Bulgaria, the GDR and Romania, in 1976-1980 and will supply CEMA countries with 2,000 tons of other types of output. These deliveries will be a contribution to the chemization of agriculture in nations of the socialist community.

Section III of the Coordination Plan is devoted to scientific and technical cooperation. The plan includes 17 scientific and technical problems on which upwards of 500 scientific research and planning design organizations are working.

The data collection program for the Coordinated Plan anticipates giving information on financing work on the above-mentioned problems. The total amount allocated for this is 565 million transfer rubles, 70 percent of which relates to work connected with the fuel-energy problem.

During the first two years of implementation of the Coordination Plan, 43 machines and pieces of equipment, 87 devices, 23 new technological processes and 30 new types of materials have been developed.

Statistical observation of progress in carrying out the Coordination Plan thus covers the main forms and directions of integration cooperation among CEMA member-nations. However, further statistical study of integration processes will doubtless be combined with continued development of integration statistics and new forms of integration. In this connection, CEMA member-nation statisticians are faced with generalizing and analyzing work results for 1976-1980 and taking into account what is new in the Coordination Plan for the next five-year plan (1981-1985), with providing a statistical evaluation of fulfillment of long-range cooperation target programs (DTsPS), a new form of CEMA member-nation cooperation organization and planning. (DTsPS is a complex of interlinked measures aimed at the effective resolution, by joint effort, of the tasks of developing the most important branches of the national economy. "Their purpose is to ensure, through common effort, that the rapidly growing need for energy, fuel and the basic types of raw material will be met, that the demand for food and manufactured consumer goods will be better met, that the level of machine building will be raised, that the development of transport will be accelerated."¹ CEMA member-nations have already begun implementing long-range cooperation target programs.) We are also faced with continuing to develop a unified system of statistical indicators describing the development of CEMA member-nation economic, scientific and technical cooperation and linking it to the practical collection of statistical data on progress in carrying out the Coordination Plan of Multilateral Integration Measures.

Resolution of the above tasks will facilitate enriching the theory and practice of statistical study of socialist economic integration.

COPYRIGHT: Izdatel'stvo "Statistika", "Vestnik statistiki", 1980

11052

CSO: 1825

1. "Materialy XXV s'yezda KPSS" [Materials of the 25th CPSU Congress], Moscow, Izd-vo Politizdat, 1977, p 9.

CEMA TIES WITH LDC'S GROWING; AFGHANISTAN, MEXICO CITED

MOSCOW MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 80 pp 93-101

[Article by Yu. Semenov: "The World of Socialism and the Liberated Nations"]

[Text] The system of international economic relations which has been developed within the CEMA structure is actively affecting the worldwide division of labor, helping to restructure its social and economic framework, democratize interrelations and strengthen progressive trends. This is also felt in the process of strengthening the economic underpinnings of statehood in nations which have set out on a path of independent development. This process is coming up against resistance on the part of the monopolies and against the backwardness of the economic base. The system of mutual cooperation within the CEMA structure, which has made it possible to accelerate development of the economy, including modern industry, through the mobilization of national resources and the application of possibilities for international socialist division of labor, is providing an actual functioning and effective model in international relations.

Before the new social system triumphed many of the socialist nations were of course themselves the objects of imperialist exploitation. Thanks to the accelerated development of their national economies those CEMA nations which inherited an extremely low level of economic development are now in a position not only to resolve their own problems with respect to raising this level even higher and making production more effective, but also to give broad assistance to both the socialist and the developing nations.

The industrialization experience within the CEMA structure has shown that this process has a number of common features but that it also involves important specific features related to the level of economic development at which the process is initiated, the state of industry and other sectors of the economy, the availability of material and human resources, the size of the territory involved and historical traditions. It is therefore possible to work out the strategy for industrialization and to carry that out only with a proper combination of general patterns and the specific features and national characteristics of the individual nations.

The socialist commonwealth has acquired this kind of experience in creating a modern economy, which makes it possible to consider more fully not only specific

national conditions (available resources, climatic and geographic features, and production traditions), but also the possibilities provided by the economy's organic inclusion into the system of international socialist division of labor.

Fundamental social and economic reforms and maximum utilization of internal resources combined with the advantages provided by the socialist commonwealth and assistance from the more highly developed nations to those less well developed are gradually bringing the economic development of the CEMA nations, many of which were agrarian or agrarian-industrial nations 30 years ago, up to the same level and making them uniform. Between 1950 and 1979, according to Polish economist (V. Iakra), the gap between the highest per capita income and the lowest in the European CEMA nations was reduced from 3.2:1 to 1.4:1; industrial output, from 5:1 to 2:1; and agricultural production, from 2:1 to 1.7:1.¹

The strategy underlying socialist industrialization accounts for the accelerated evening out process occurring in the economic development of the nations mentioned. The rapid growth of the industrially less developed CEMA nations is increasing the economic capability of the entire commonwealth and increasing possibilities for their active participation in the international division of labor. The emergence of these nations out of economic backwardness within a historically brief period of time is showing the developing nations how to break out of the vicious circle of poverty. It demonstrates the fact that the struggle for a new order should be linked to radical social and economic reforms.

CEMA has never been an "exclusive club" for industrial nations, of course. A number of developing nations with a combined population of around 70 million maintain very close ties with it. They have inherited economic backwardness, and an earnest effort will be required to overcome backwardness. An increasingly broad range of nations are entering into cooperation with CEMA, creating the foundation for a modern economy.

The Comprehensive Program for Continued Expansion and Improvement of Cooperation and the Development of Socialist Economic Integration contains special projects to accelerate the growth of Mongolia's economy and make it more effective. As the CEMA membership expanded the advantages enjoyed by the Mongolian People's Republic were extended to Cuba and the Socialist Republic of Vietnam. Industry is being rapidly created in Mongolia with the assistance of the USSR and other CEMA nations. Modern enterprises have been built and others are under construction there with preferential, long-term credits, assistance with the construction of extremely important national economic facilities and gratis assistance. The development of large deposits of coking coal, phosphorites, copper and molybdenum ores and other kinds of minerals, and the construction of a large number of industrial enterprises are planned for Mongolia on a multilateral basis under special, long-range programs of cooperation.

Large economic installations, including a heat and power plant, an electric power transmission line, a coalmine, mining operations for the extraction and processing of nonferrous metals, among which is a copper-and-molybdenum combine, a number of construction industry enterprises, housing construction combines, radio-relay lines connecting the most remote areas of the nation with the capital, virgin-land

state farms, irrigation systems, light and food industry enterprises, apartment buildings and municipal service facilities are being built in Mongolia with Soviet assistance under the current five-year plan alone.

An international geological team is operating with success in the Mongolian People's Republic, and the participating nations have decided to continue this work during the next five-year period. A modern scientific and technological information center began functioning at the end of 1979. Young Mongolian girls and boys are studying at educational institutions in the socialist nations and receiving practical training at enterprises there. In addition, highly trained specialists are sent on assignment to Mongolia from those nations.

Since 1960 the Soviet Union and other CEMA nations have been providing the Republic of Cuba with considerable assistance in the development of its economy. It has been granted long-term, preferential credits for the financing of planned projects, the purchase of construction equipment and materials, the reconstruction and modernization of enterprises of the textile, energy, petroleum refining, nickel-mining and sugar industries, the performance of geological survey work, and the development of transport and communications and other sectors of the national economy.

Vietnam, which has also become a member of CEMA, is also being helped to build up its economy. Hundreds of large industrial enterprises and other installations have been built in the nation. The CEMA nations recently adopted a plan of coordinated action for the construction of a number of important industrial enterprises in Vietnam. The CEMA nations have coordinated the work involved to build a number of important industrial enterprises and to perform major restoration work on the Hanoi-Ho Chi Minh Railway. The CEMA nations are assisting with the construction of projects which China unilaterally refused to complete. Socialist Vietnam has requested help with the creation of a materials and equipment base for machinebuilding to meet the need for the technical equipment and reequipment of the national economy and make it possible to expand its participation in the international socialist division of labor.

Vietnam is in a position to produce and deliver to nations of the socialist commonwealth rubber, coffee, pineapples, sugar, a number of valuable industrial crops and lumber. The Socialist Republic of Vietnam can increase coal production and output from the extractive industry, nonferrous metallurgy (copper, lead, zinc and aluminum) and the construction materials industry. Vietnam's cooperation with other CEMA nations in the production of consumer goods (textiles, clothing, leather goods, footwear and other products) is helping the nation to make efficient use of its labor resources.

Credits on advantageous terms, progressive technology, preferential prices,² and the opportunity to participate extensively in production specialization and cooperation, including the selection of new branches, if there is assurance of a good technological level and good product quality, are also employed, when necessary, within the CEMA structure as additional means of developing the economy. Nations not so well developed industrially thereby obtain a stable and constantly growing market for their products within the CEMA nations.

The system of scientific and technological cooperation provides equal and unhampered access to the modern technology of the socialist commonwealth. As a result formerly backward nations are given the opportunity to reduce the amount of time required to plan for and master new production, to conserve funds considerably to successfully reshape the branch structure.

CEMA, which includes both industrial nations and those with a lower level of economic development, has thus demonstrated on a regular, practical basis the effectiveness of socialist methods and means of resolving all problems which arise. In addition to this the socialist commonwealth nations provide all-round assistance to the developing nations, first and foremost those with a socialist orientation.

The world socialist commonwealth is a good influence upon the economies of the developing nations. "Cooperation with the developing nations," states the report to the 25th party congress by the CPSU Central Committee, "makes it easier for them to restructure their economies and public life on a progressive basis." The altered balance of international power in favor of socialism and its strengthened positions in the world economy are objectively helping the developing nations to carry out progressive social and economic reforms: the strengthening of control over their natural resources, the nationalization of industry and the banking system, and agrarian reforms.

The opportunity to enjoy the advantages of cooperation with the CEMA nations is especially important for nations which have elected a noncapitalist path of development and are carrying out progressive reforms. Economic and technical assistance from the socialist nations is not just an additional factor in their economic growth. It is also an organic part of the entire system of social and economic reforms.

In keeping with the socialist principles and with their own historical experience the CEMA nations fully support the rightful strivings of the developing states to achieve and consolidate their political and economic independence. They consistently promote equality and mutually advantageous cooperation with the latter, and the elimination of discrimination born of imperialist policy in world economic relations. The socialist nations actively support the struggle to democratize world economic relations, thereby lending support to the progressive principles contained in the Declaration on the Establishment of a New Economic Order, the Plan for Industrial Development and Cooperation and other decisions adopted by the United Nations on this matter.

The CEMA nations do not just identify themselves with the just demands of the developing nations. They also promote in their practical relations the establishment of new standards and principles of international economic relations. While making a perceptible contribution to the strengthening of the economy, to cultural development and national sovereignty, the CEMA nations never use their assistance as a means of applying pressure. They do not link it to political conditions, do not encroach upon the social order and do not interfere in the internal affairs of other nations. All of this creates a climate of mutual respect and trust in the CEMA nations' relations with the developing nations.

The Comprehensive Program for Socialist Economic Integration, of course, states that the CEMA nations "will attach" special importance "to the continued expansion of trade and economic, scientific and technological cooperation with the developing nations."³ The Council for Mutual Economic Assistance has repeatedly underscored its determination to expand its cooperation with the developing nations based on equality and mutual benefit. It is thus helping to effect measures in line with their national interests for social and economic development, the strengthening of their position in the world economy, their liberation from oppression by the imperialist monopolies and the elimination of colonialism in all areas.

At the 34th CEMA Session in June 1980 the socialist commonwealth nations reaffirmed their solidarity with the developing nations in their attempts to achieve total economic independence, to realize the right of every people to dispose of their national resources to improve their own nation, to eliminate exploitation on the part of the imperialist monopolies and to rid themselves of inequality and the oppression of certain nations by others. The assistance provided by the CEMA nations is contributing mainly to the creation and the strengthening of the state sector in the economies of the developing nations. This is helping the latter to accomplish important tasks and to accelerate the development and the consolidation of their economic independence.

The objective interest of CEMA and of the developing nations in expanding mutually beneficial relations and developing equal and effective cooperation is creating a reliable foundation for the dynamic growth of trade and economic, scientific and technological ties. These relations are constantly growing in scope: commodity turnover between CEMA and the developing nations increased approximately 33-fold between 1950 and 1979.

The total volume of technical assistance and preferential credits extended by CEMA in 1979 exceeded 42 billion rubles. While in 1962 economic and technological assistance was being provided to 34 developing nations, the number has now grown to 90. Around 4,500 industrial and other installations have been built, are under construction or are scheduled for construction with CEMA assistance, 3,000 of which have already been placed into operation. In 1979 alone the socialist nations concluded more than 100 long-term agreements for economic and technical assistance with 39 developing nations. More than 1 million citizens of those nations have acquired skills in the process of building and operating the industrial and other facilities. More than 200 higher and secondary educational institutions and scientific centers have been built or are under construction with CEMA assistance in the developing nations. More than 40,000 students from more than 100 nations of Asia, Africa and Latin America are studying at VUZ's and tekhnikums of the CEMA nations.

While a considerable portion of the loans extended to the developing nations by the capitalist nations actually fall into the hands of foreign monopolies, enterprises built with CEMA assistance are at the complete disposition of the developing nations. The CEMA nations provide economic and technical assistance in key economic sectors. For example, more than 70 percent of all the loans extended by them go into the construction of industrial and energy facilities.

"It is no secret to anyone that our material and financial resources are limited," said S. Todorov, head of the Bulgarian delegation to the 34th CEMA Session and chairman of the Council of Ministers of the Bulgarian People's Republic. "Most of the other CEMA nations have also had to overcome their own backwardness, and in a situation of great economic difficulties created by imperialism. We are doing everything possible and allocating the funds, however, to provide assistance at times of difficulty to peoples setting out on a noncapitalist path of development. The most important thing at this point is to expand and develop economic cooperation with those nations on a mutually beneficial basis. We must augment the multilateral character of the cooperation, achieve better coordination of our efforts and give priority in the use of the funds extended to large projects of crucial importance for the restoration of those nations' economies and the creation of new production structures."

According to data compiled by the CEMA Secretariat the socialist commonwealth nations have helped or are helping on a cooperative basis with the construction of approximately 180 projects. These ties are becoming permanent and are resulting in a certain specialization by the socialist nations in their cooperation with the developing nations.

In the construction of metallurgical plants in India, Iran and Turkey Soviet organizations drew upon Czechoslovakia and the GDR for cooperation under the CEMA system of specialization in the production of metallurgical equipment. The USSR and Romania built an oil refinery in India and drew upon Czechoslovak organizations for the construction of a refinery in Turkey. The GDR had the assistance of Bulgarian specialists in the installation work for the construction of large cement plants in Syria with an annual capacity of 1.3 million tons. Certain types of equipment were provided by Czechoslovakia and the Soviet Union on a cooperative basis.

Another important example of cooperation on a multilateral basis is the stipend fund created by the CEMA nations, which has functioned since the 1974-1975 academic year. Around 2,500 stipend-aided students from 44 developing nations are presently studying in the CEMA countries.

The application of existing know-how in socialist economic integration by the developing nations is an extremely promising aspect of the cooperation. At the request of the executive director of UNIDO, CEMA's International Institute for Economic Problems of the World Socialist System prepared for this purpose a research project on "Instruments and Methods of Economic Cooperation and Integration Among Members of the Council for Economic Mutual Assistance, Especially Those Pertaining to Industrial Development."

The CEMA countries are attempting to improve the cooperation machinery to make it reflect as fully as possible the specific nature of relations between nations with different levels of development and different social and economic systems.

This may involve partial coordination of national economic plans in matters of mutual interest, and helping the developing nations to increase their control over the processing, transportation and sale of output. The latter includes the

provision of machinery and equipment and the expansion of transport, consultative and other services and cooperation in the selling end for the purpose of establishing direct contacts with the consumers, among other things. Multilateral CEMA assistance with the organization of livestock inoculation in Angola, for example, produced excellent results. At the 24th CEMA Session Angola's government requested assistance on a multilateral basis in the construction of an enterprise for the production of phosphate fertilizer. The facility was designed by Bulgarian specialists.

Planned management of the economy is permitting the CEMA countries to expand trade and economic relations with the developing nations on the basis of agreements covering five years or more, which is creating a solid foundation under these relations and making them stable. Along with bilateral cooperation CEMA is strengthening economic ties with the developing nations on a multilateral basis as well. The development of relations between the Council for Economic Mutual Assistance and certain developing nations--Iraq and Mexico, for example--is assuming great importance. Multilateral economic relations are being established with Angola, Ethiopia and the People's Democratic Republic of Yemen (PDY).

The PDY attended the 24th CEMA Session (in 1979) as an observer. "The granting of observer status to our nation in CEMA," said the head of the PDY delegation in his speech at the 24th CEMA Session, "is an important and progressive move toward the strengthening of our ties with the socialist nations, and the main factor in the PDY's use of their know-how and their support in the process of economic and social development, as well as the expansion of our progressive reforms and achievements in democratic Yemen. Our nation's party and government attach great importance to this. Our strategic task lies in working to expand bilateral and multilateral ties with the socialist commonwealth nations. We want to see our nation become a permanent CEMA member and to see it achieve that high level of economic and social development which has been achieved by the CEMA nations. The experience of Mongolia, Vietnam and Cuba has proven that this is possible."

Representatives of the People's Republic of Mozambique took part in the 24th CEMA Session. Marcelino dos Santos, head of the delegation, underscored the fact that "the presence of the delegation from the People's Republic of Mozambique and other nations freed of colonial dependency at the 24th CEMA Session is an important indication of this organization's development and of the role which it can perform. This fact is a demonstration of the socialist commonwealth's development. It also demonstrates the possibility of creating just, mutual relations of cooperation between the developed and the developing nations."

At the request of the government of the Democratic Republic of Afghanistan the 24th CEMA Session voted to permit an Afghan delegation to take part in the Council's work as an observer. Soltan Ali Keshtmand, head of the Afghan delegation, deputy chairman of the Revolutionary Council, deputy prime minister and minister of planning, who spoke at the session, stated that Afghanistan intends to apply creatively the socialist nations' know-how in the area of economics and planning in order to industrialize and modernize its agriculture.

There is yet another important aspect of the economic cooperation between the socialist and the developing nations. It is strengthening their position in their relations with the imperialist nations. The very fact that they can obtain assistance from the socialist countries is forcing the capitalist nations to maneuver and agree to certain concessions to the new nations. "Only because of the solidarity of the socialist nations," Jose Eduardo dos Santos, now president of the People's Republic of Angola, stated at the 33d CEMA Session, "were we able to hold out for almost 14 years in an unjust war unleashed against us by Portuguese colonialism, only because of this solidarity during a critical period in our existence were we able to withstand the criminal aggression of racist South Africa."

Efforts aimed at the economic development of all nations and the restructuring of international economic relations can only be successful in a situation of peace, the relaxation of international tensions, a reduction in military outlays and the limiting and halting of the arms race. It is not difficult to see the prospects which would be opened for the resolution of the most urgent development problems, including the industrialization of the developing nations, by a significant reduction in military outlays--by 10 percent as a beginning--as the socialist nations have repeatedly proposed in the United Nations organization.

The course pursued by the socialist nations is in distinct contrast with the policy of the imperialist powers, which are attempting to convert economic ties with the developing nations into a tool for enslaving them by means of the world capitalist economy. The most diverse means are used for this purpose, all the way from subsidizing the state apparatus under certain political conditions and including local currencies into the currency zones of the former metropolitan countries, to the latest forms of neocolonialism. These include the joining of the state monopolistic capital of the imperialist nations with capital finding its way into the hands of the developing nations' ruling elite, the expansion of a direct or "indirect" presence in strategically important areas by providing weapons, exacerbating tensions, provoking and kindling military conflicts between developing nations.

In accordance with their own principles the Soviet Union and other socialist commonwealth nations fully support the nonalignment movement which includes 127 countries. It is well known that the reactionary imperialists as well as Beijing are doing everything possible to enervate the antiimperialist and peace-loving trend in the nonalignment movement, to bring disharmony into its ranks and to separate it from a natural ally, the socialist commonwealth.

Cooperation and interaction between the socialist nations and the nonaligned and the anti-imperialist struggle against imperialism, colonialism and neocolonialism and all forms of racism and racial policies is especially important under these conditions. The socialist countries are helping the developing nations to strengthen their position in the world raw materials trade and to increase their technological capability, and are supporting their demand for the abolition of the monopolistic corporations and for the extension of favorable conditions to those at a lower level of development.

Recent experience has demonstrated especially vividly the fact that imperialism is making every effort to undermine the position of the developing nations. This applies, among other problems, to those related to structural reforms in international economic relations. The developing nations have learned from their own experience that relationships of equality in the world market must be achieved not only in the area of circulation, but in the production sphere as well. In order for their goods to have greater access to the markets of the industrialized capitalist nations they must first produce goods which can compete with those of the latter. This means that they must increase their rate of industrialization and accelerate the development of key branches. The West does not want this reshaping of the world production structure and opposes constructive plans to alter the unequal international division of labor and to transfer new technology to the developing nations, and those having to do with the operations of the multinational corporations.

It is perfectly apparent that the developing nations can count only the socialist world, on its support, in their just demands for a restructuring of international economic relations. The imperialist nations are introducing additional administrative and procedural norms for raising demands with respect to standards and technical specifications. The Western nations are increasingly taking this kind of action, along with the erection of trade barriers, in the struggle against the developing nations. Forced to acknowledge the increased protectionism in world trade, the West is attempting to place the blame for its augmentation on all nations. This "philosophy" is designed to confuse the developing nations. Rejecting protectionism in their own internal trade practices, the socialist commonwealth nations resolutely support the demands of the developing nations for structural reforms in the world economy and for improvement of the international trade climate.

Beijing's line in the developing nations has of late been merging increasingly with imperialist policy. Beijing is essentially united with the West in its rejection of the concept of a new economic order. At the present time the PRC is not providing the developing nations with any sort of practical assistance. Its trade with them demonstrates an unrestrained desire for expansion, involving methods typical of those employed by neocolonialism—substantial restrictions on the import of finished products and actions producing an acute and chronic trade imbalance between China and the developing nations in favor of the PRC. The mask of benefactor and defender of the developing nations behind which the Maoists are attempting to hide no longer fools very many. The facts speak for themselves.

The accomplishments of the 34th session, which had the participation of representatives from the People's Republic of Angola, the Democratic Republic of Afghanistan, the Lao People's Democratic Republic, Socialist Ethiopia, the People's Democratic Republic of Yemen and the People's Republic of Mozambique, which have elected a socialist path of development, demonstrates the fact that the socialist and the developing nations share common interests and that they have a mutual desire for all-round cooperation based on equality. Loyal to Lenin's precepts, the socialist commonwealth nations are convincingly demonstrating the fact that they are the true friends and the natural allies of the developing nations in their struggle for international relations based on equality and for the right to determine their own destiny.

FOOTNOTES

1. "The Evening Out of Levels of National Economic Development and the International Economic Relations," Moscow, January 1980, p 5.
2. "The Coordinated preferential prices for our goods," C. R. Rodriguez, vice president of the Councils of State and Ministers, said at the 33d CEMA Session, "particularly sugar prices, compensate for any rise in prices in the socialist nations which are our suppliers." Cuba is, of course, the main supplier of sugar to the CEMA nations, exporting it at preferential prices.
3. "Kompleksnaya programma dal'neyshego uglubleniya i soverashenstvovaniya sotrudnichestva i razvitiya sotsialisticheskoy ekonomicheskoy integratsii stran-chlenov SEV" [Comprehensive Program for the Further Expansion and Improvement of Cooperation and the Development of Socialist Economic Integration Among the CEMA Nations], Moscow, 1972, p 8.

COPYRIGHT: Izdatel'stvo "Pravda", "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1980

11499

CSO: 1825

EAST-WEST TRADE MUTUALLY BENEFICIAL, U.S. MUST LIFT BARS

Moscow EKONOMICHESKAYA GAZETA in Russian No 47, Nov 80 p 21

[Article by V. Yulin, candidate of economic sciences and V. Gurevich, candidate of historical sciences: "The Helsinki Principles and East-West Trade"]

[Text] The code of principles adopted at the European Conference in Helsinki in 1975 incorporated the vast body of experience built up at that time in good-neighborly cooperation among nations with different social systems. "It is very important now to consistently implement the understanding reached in Helsinki," Comrade L. I. Brezhnev stated in his speech at a dinner honoring President of the Republic of Finland U. Kekkonen. "Europe must at long last be given the opportunity to live in a situation of guaranteed peace and tranquility."

The problems of disarmament and of strengthening security are unquestionably central among the group of problems pertaining to Europe. A decision to hold a conference on military detente and disarmament in Europe as proposed by the socialist nations would be especially significant. This proposal is meeting with growing support from the peoples of our continent.

The Fruits of Detente

Trade and economic cooperation is one of the areas in which further progress can be made. International trade is not only a good means of satisfying the material needs of the participating parties. It is also, and most importantly, a major factor in the strengthening of peace and good relations among peoples. Comrade L. I. Brezhnev has stressed the fact that international trade has an especially great peacemaking role.

The Soviet Union and its partners in the Council for Mutual Economic Aid have accomplished a great deal toward the fulfillment of recommendations coming out of the European Conference in the area of international trade and economic cooperation.

Commodity turnover between the USSR and the nations of Western Europe increased from 11.5 billion to 19.3 billion rubles, or almost 68 percent, during the period 1975-1979. Commercial relations between our nation and those of Western Europe have continued to grow this year, and at an extremely rapid rate. During the first half of 1980 alone the volume of Soviet trade with this group of nations

reached 11.5 billion rubles (equaling the commodity turnover for the entire year of 1975), compared with 8.4 billion rubles for the first half of 1979. The FRG, France, Finland, Italy, Great Britain and the Netherlands are the USSR's largest trade partners.

There is something new in trade and economic relations between the USSR and the nations of Western Europe--they are long-term and large-scale, and they include the development of industrial cooperation. Since the European Conference was held the Soviet Union has concluded more than 30 long-term agreements and programs with those nations in the area of trade and economic cooperation. The nations include France, Finland, the FRG, Italy, Switzerland, the Belgium-Luxembourg Economic Union, Greece, Portugal, Denmark, Norway and Ireland. New agreements and programs are under development for cooperation with Spain, Austria and certain other nations.

New kinds of economic relations, which go beyond conventional trade, have recently become increasingly important. These include interchange agreements, industrial cooperation and the exchange of technology. By the end of the 1970's Soviet organizations had concluded more than 100 long-term agreements and contracts with Western firms for the construction of more than 60 large industrial units in the USSR on an exchange basis. The exchange contracts concluded already total billions of rubles. These agreements usually cover a period of more than 10 years, and in certain cases as much as a quarter of a century. Steps are being taken to expand this interchange cooperation to include the production of finished articles.

As it develops economic relations with the Western nations the Soviet Union does not discriminate between one form of cooperation and another. The choice of exchange or some other form of business relations is up to the partners and is made on the basis of equality, mutual benefit and mutual interests.

Mutual Benefit

The Soviet Union and the other nations in the socialist commonwealth provide an example of the concrete, practical development of the principles of cooperation based on mutual benefit and equality proclaimed in Helsinki. Suffice it to say that the volume of trade between the CEMA members and the Western nations has increased more than six-fold since 1965.

The growing economic cooperation is a practical refutation of the far-fetched statement made by imperialist, primarily American, propaganda to the effect that the expansion of commercial relations benefits mainly the socialist nations, while the West, they would have us believe, is the "loser."

It is especially important for the West to develop commercial relations with the socialist nations in today's situation of deteriorating market conditions in the capitalist economy. According to Western economists Soviet orders provide employment for 350,000 workers in the FRG, for example, and approximately 120,000 in Finland, and in total commercial relations between the East and West create jobs for more than 2 million people at enterprises of the capitalist nations.

The Western European nations benefit considerably from the procurement of fuel and raw materials on an exchange basis. For example, Western Europe is already filling 20 percent of its needs for gas with imports of this scarce raw material from the Soviet Union. Overall the quantity of various types of energy exported to the West from the socialist nations has exceeded 800 million tons over the past decade (in oil equivalent). It goes without saying that this is very important, given the energy crisis now being experienced by the West.

On the whole we can say that the positive program worked out in Helsinki for making Europe a continent of lasting peace and good neighborly cooperation is taking tangible form in mutually advantageous economic and political relations among nations with different social systems.

The success achieved in cooperation in both the economic and other areas could be more substantial if not for the maneuverings of its enemies. Since the signing of the Concluding Act certain Western signatories have not taken effective steps to fulfill the commitments they accepted to gradually eliminate every sort of obstacle to the development of trade and economic relations with the socialist nations.

The Cost of the Embargo

In addition to this, the more militant of the imperialist groups have attempted to launch a concentrated offensive against the policy of detente and to sabotage the entire movement toward peaceful cooperation between the East and West, including trade and economic relations.

The U.S. administration which met with defeat in the recent elections was especially zealous in its efforts. It tried hard to use trade as an instrument of political pressure and blackmail with respect to the socialist nations. Its embargo against the sale of grain and a number of other commodities to the USSR, its bilateral rejection of agreements and contracts already concluded and all-out attempts to expand the so-called "banned list" of goods for export to the USSR are all in glaring contradiction to the spirit and the letter of the Final Act signed in Helsinki.

The steps initiated by the United States did not, nor could they, have the effect upon the Soviet Union counted upon by the Washington strategists. It would be appropriate to remind those who would resort to "economic blackmail" of V. I. Lenin's statement: "We have had enough of threats, and more serious ones than those made by the trader who plans to slam the door shut...."

Strictly speaking, business circles in the United States itself are becoming increasingly convinced that this line of action is harming primarily the American economy. A. Hammer, chairman of the board of directors of Occidental Petroleum, which, as everyone knows, concluded with Soviet organizations the largest exchange agreement ever in the history of trade between the two nations, recently admitted that his company had already lost 1.5 billion dollars as a result of the embargo imposed by President Carter.

But certain groups in the United States are still not giving up on their attempts to draw a number of other nations into their discriminatory policy with respect to trade between the East and West, including nations whose representatives participated in the Helsinki Conference. As the NEW YORK TIMES was recently forced to admit, however, this U.S. policy is not meeting with any sort of broad support on the part of its Western European allies. "Official West German and French representatives," the newspaper states, "have made it clear that they do not have an especially high opinion of using trade sanctions as an instrument of foreign policy." The NEW YORK TIMES also states that Western European entrepreneurs say that they "cannot now trade with the East, now not trade with it, as though trade were a faucet which can be turned on and off."

Figures for trade between the USSR and the developed capitalist nations for the first half of this year (that is, since Washington introduced the notorious "sanctions") indicate that the American Administration has not succeeded in forcing the nations of Western Europe to follow the policy of curtailing mutually advantageous trade with the Soviet Union. While commodity turnover between the United States and the USSR fell by 230 million rubles during the first six months of this year, compared with the first half of last year, trade between the USSR and the nations of Western Europe increased by 3,154,300,000 rubles for the same period.

The facts indicate that the negative attitude toward the American "sanctions" policy is growing not just in Western Europe, but also in Canada (which, of course, was also a participant in the Helsinki Conference). An official Canadian representative has stated that Canada does not consider itself bound to the embargo placed by the United States on the sale of grain to the Soviet Union and is prepared to sharply increase Canadian grain shipments.

The Soviet Union and the other socialist nations consider it a matter of prime importance to strive for the elimination of all barriers artificially erected recently, primarily by the United States, on the path of economic cooperation, and the implementation of contracts and agreements already concluded. This means the development of a broad and unencumbered trade exchange, industrial and agricultural cooperation and cooperation in the field of transportation and scientific research. The USSR and the other socialist nations consider it highly important to step up cooperation in the energy field and to hold a European conference on this matter.

As they implement the Program of Peace the CPSU and the Soviet government are determinedly striving to see that detente remains the dominant trend in international development.

11499

CSO: 1825

TRADE WITH INDUSTRIALIZED COUNTRIES

CURRENT DIFFICULTIES IN USSR-FRG TRADE ANALYZED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 80
pp 95-105

[Article by V. Fedorov: "Current Questions of USSR-FRG Economic Relations"]

[Text] The talks between leaders of the Soviet Union and the FRG, which took place in Moscow on 30 June and 1 July of 1980, had broad international impact and are being discussed with lively interest in the West German community. Members of the press, business and academic circles with which our correspondent talked unanimously underscored the fact that the results of the talks constitute a major contribution to the strengthening of peace and security and to the normalization of the international and the European political climate.

Great importance is particularly attached to trade and economic relations and to the new prospects which are opening up for such relations. As the majority of press agencies and many experts in these matters have pointed out, the signing during the visit of a long-range program of basic areas of cooperation between the USSR and the FRG could stimulate the further development of cooperation between the two nations, thereby considerably strengthening the economic base upon which these relations rest.

What Has Been Achieved and What Can Be Achieved

The trade volume between the two nations amounted to 4.2 billion rubles in 1979. The 1970 Moscow Agreement which normalized the political climate for relations between the two nations and L. I. Brezhnev's visits to the FRG in 1973 and 1978 helped to make this possible. The agreement on the development and expansion of long-term cooperation between the USSR and the FRG in the areas of economics and industry, which was concluded during L. I. Brezhnev's visit to the FRG in May of 1978, covers a 25-year period which takes it past the end of our century.

Until relatively recently the list of West German firms cooperating with the Soviet Union was an extremely small one. It now includes more than 1800 companies. More than 100 companies and organizations are involved in the scientific and technological relations with the Soviet Union, and 31 firms have concluded long-term scientific and technological agreements. Today, probably every branch of the FRG economy of any importance maintains some sort of contact with its Soviet counterpart or is establishing such contacts.

The "pipe-for-gas" agreement is being successfully implemented, demonstrating the indisputable mutual advantage of the compensatory principle. West German companies are helping to build the Oskol Electrometallurgy Combine, which, according to the respectable FRG weekly *HANDELSBLATT*, will be the world's largest producer of iron-ore blanks (okatysh') for the production of high-grade steel.¹ Production cooperation links together Soviet machine-tool enterprises and firms of the FRG. The latter assisted in the construction of the international airport in Sheremet'yev, using the latest achievements in technology and construction. I might mention the fact that the main agent for the project--the West German firm Rueterhag--won the contract in a competitive bid against 30 well-known companies from various nations of the world. The exchange development also covers consumer goods (cooperation with the sporting goods firm Adidas, for example).

Joint Soviet-West German trade associations operate in the FRG. The USSR has direct air linkage with a number of the largest West German cities. Many industrial firms and banks have opened offices in Moscow (Siemens, Mannesmann, Hoechst and Deutsche Bank, for example). The West German press states that the FRG has 31 delegations in the USSR, more than any other nation. Through these representatives the firms keep Soviet enterprises informed of their technological capabilities. They do so by placing ads in the Soviet press, among other things. For example, the Hoechst published a notice in the *EKONOMICHESKAYA GAZETA* about the fact that it has created and is operating two experimental coal gasification plants.² The FRG is an active participant in international exhibitions held in the USSR.

The FRG's credit and banking system, including the Bundesbank, is a significant factor in the stimulation of cooperation. Although by its status this financial institution does not participate directly in East-West commercial dealings, it is attempting to contribute to the creation of a positive psychological climate for maintaining and expanding these relations. The prospects for cooperation are highly promising. Dresdener Bank experts believe that trade between the two nations could be given new and "dynamic impetus" during the 1981-85 period.

At the same time we still see obstacles to the development of bilateral relations. Precisely these problems should be discussed first. At the present time West German exports are largely exempt from the requirement for official licenses (permits). Nonetheless, for a number of goods the exporter must request permission to ship to the socialist nations. This applies in even greater measure to imports.

With respect to the regulation of imports, at the beginning of 1979 import quality restrictions for manufactured goods from the socialist nations covered 70 percent of the list. Progress has obviously been made, of course. It must be borne in mind, however, that the remaining restrictions apply only to the socialist nations and cover precisely that group of goods for which the latter have the largest export stocks. The actual infringement upon the trade interests of the socialist commonwealth is actually far greater than the figures show. Artificial barriers affect approximately 20 percent of the FRG's imports from the socialist nations. In absolute terms the volume of trade subjected to quantitative regulation consists of 700 commodities.

Limitations on exports from the socialist nations are being retained despite objections, for example, by such an influential organization as the Federal Union of German Wholesale and Foreign Trade. The union's last biennial report (for 1978-79) states that West German exports can be protected and increased only if the socialist nations are given the opportunity to expand their own exports to the FRG. The union's efforts to reduce the import restrictions, we learn as we read further, have not met with success.

Forecasting has become a common standard of modern economic life. Forecasts help us both to see several years into the future and to appraise trends taking shape in the present. East-West business relations are no exception. Existing forecasts differ with respect to purpose, methodological approach and time span, and their results are not always fully comparable. They are perhaps all alike in the main respect, however: In order to maintain satisfactory rates of growth in foreign economic turnover new efforts will be required on both sides.

West German economists J. Bethkenhagen and G. Fink, who have compiled a forecast of the development of trade between the FRG and the East to 1985, stress the special importance of broad relaxation of restrictions on imports from the socialist nations. Since the 1975 regulations governing the unification of trade policy of the Common Market nations forbid uncoordinated actions, then, the authors believe, it is in the interest of the FRG to strive for significant joint moves toward liberalization of the policy on imports, primarily of finished products, from the socialist nations.³ In all probability, we might add, this is in the interest of the remaining members of the EEC as well. The authors also indicate another way to stimulate trade with the socialist states—agreements on cooperation, which are still left up to the individual nations themselves.

Professor H. Albach, well-known economist and member of the FRG's council on economic development, agrees with the opinion of J. Bethkenhagen and G. Fink. He correctly regards further liberalization of the policy on imports from the socialist nations as another way to increase West German exports and possibilities for financing them.⁴

Unfortunately, the large trade barriers on many types of goods from the socialist nations have been retained in the FRG not only after the lifting of tariffs within the EEC but also since they were lifted in trade between EEC members and other Western European nations as well. Hungarian economist (G. Izik Khedri) correctly points out the limited willingness of the EEC to ease trade conditions for the socialist world. "The nations of the European Common Market," she writes, "have never fully extended the most favorable trade conditions to their socialist partners. They retain the right to place quantity restrictions on imports and to place various specific administrative regulations on these. Later, during the first expansion of the European Common Market, they began to create a West European preferential industrial zone. The socialist nations alone were then excluded from this process. Their exportation of manufactured goods is burdened by customs, whereas the Western European nations have been able to sell duty-free manufactured goods to each other."⁵

The trade practice extensively followed in the West, whereby the duty level tends to rise with the degree of processing involved in producing goods, goes counter to the steady progress being made in the structure of world commodity turnover. This practice actually constitutes a carryover from the past of a sort of protectionism in world trade, by means of which the industrialized powers are attempting as far as possible to protect the internal market against outside competition and provide themselves with a steady supply of vitally important raw materials. Largely dictated by single interests, this customs system unquestionably needs to be revised.

Verification of the validity of prices for imported goods is one of the ways used to regulate imports from the socialist nations. This method was introduced in 1966 and has been revised twice since then. It is officially claimed that this is done to prevent or eliminate disturbances in market conditions by the sale of foreign products, thereby protecting the local producer against possible losses. Naturally, every nation has the right to employ those means of protection against imports which it considers necessary. Special caution should be exercised in applying the price verification system, however. The unwarranted employment of price verification to limit imports may raise doubts in the minds of the trading partners as to the actual extent of import policy liberalization or even present an obstacle to the development of trade.

Our Western partners themselves frequently violate the so-called fair rules of competition in international trade, which the Western partners expect us to observe. We know that the EEC's "open market" functions on the basis of administered prices and therefore lies outside the range of "fair competition." Steel, coal, textiles and ships--this is far from a complete list of manufactured goods, the production and sale of which have financial and solid state support.

In 1978 the Federal Union of German Wholesale and Foreign Trade compiled a list of protectionist measures employed by the EEC with respect to the socialist nations. The list sheds additional light on the nature of the interaction of discriminatory barriers erected at various levels of the integrated group--in joint agencies and at the national level. If one device is inadequate, another is used. The anti-dumping practice in the EEC and the West German system of price verification compliment each other as far as imports from the socialist nations are concerned. This practice was continued after 1978, and the union was forced to admit that the price verification system constitutes protectionism "newly-emerged and directed primarily against nations with state-operated foreign trade (the socialist nations --V.F.)."

Many economists are pointing out the inappropriateness of the increased activity in this area by certain groups in the West, particularly the EEC, and the damage which it can cause. "A lower price does not necessarily justify an accusation of dumping..." (Eh. -Yu. Manke) believes. "It is in the interest of export that such accusations should not be casually made, and they should not be taken into account."⁶ He then correctly states that the accusation itself creates a lack of faith. Importers have no assurance that a transaction will be completed and the exporters become less willing to base their plans on the market involved.

Methods used to stimulate foreign trade differ, sometimes significantly, among the Western nations. Unlike Italy, England or France, government agencies of the FRG do not extend credit to their socialist partners. This deprives West German firms of additional possibilities for cooperating with foreign trade organizations of the socialist nations. It is perfectly understandable that the authorities would want to equalize, so to speak, conditions for the national firms. However, the method employed creates some justifiable doubts. The stricter coordination of state loans and interests on loans extended to the socialist nations, which they propose, is aimed at limiting the freedom of action of the Western partners and at forcing a certain change in their loan practices, which is hardly in the interest of the latter.

The artificiality of the restrictions applied to the socialist nations by certain Western European governments or EEC agencies stands out especially against the background of results achieved in the Tokyo round of GATT (General Agreement on Tariffs and Trade) talks. It was decided there to reduce duties on manufactured goods by an average of 30 percent over the next eight years, which would lower them from 10 percent to 7 percent. It was also decided to reduce non-tariff trade barriers. The conclusion of the Tokyo round, according to W. Haferkamp, vice president of the Commission of European Associations, is first of all a "political signal," a demonstration of willingness by the Western partners to step up cooperation. The lifting of discriminatory conditions still in existence in trade between the EEC and the socialist nations would be a step ahead in the development of all round cooperation in Europe.

The Approaches Vary...

The experts and scientists are performing an important mission by using the arsenal of theoretical and practical analysis methods at their disposal to promote recognition of the need for international cooperation and the practical benefit from such, and stimulate the initiation of new trends in this area. East-West economic relations in general and their specific description in the example of the two nations have become the subject of numerous scientific studies, books and articles in the FRG.

In the 1950's and '60's, when the political climate in Europe was aggravated by the "cold war" and then by its aftereffects, a number of bourgeois scientists in the FRG (Professor V. Baade, for example) considered the development of reciprocal trade an important means of normalizing the situation. A book by R. Krengel was published in 1967.⁷ The author described fairly eloquently the purpose of his book. R. Krengel wrote that it was written to help West German policymakers to create a new and more realistic concept to replace the old ideas on strategy in East-West relations, some of which were poorly conceived from the very start and others had already outlived their usefulness. This was an extremely timely statement, coming at that time.

Business circles also exhibited sound thinking. O. Wolf von Amerongen, well-known proponent of cooperation between the East and West, stated that without the efforts made in the 1950's and '60's by the West German administration to revitalize trade with the East, it is doubtful that the FRG's subsequent Eastern policy would have been possible.

Life does not stand still. It is constantly introducing new elements into economic relations between nations with different social systems, increasing the urgency of certain specific issues and frequently casting them in a new light. East-West economic relations are developing in a situation of clearly defined international competition for trade with the socialist nations. Because of this those groups or firms which set improper demands during talks are punishing themselves, because they lose large, long-term contracts.

This aspect of the development of relations has been described in the works of many experts. In answer to those who would like to take credit out of trade with the socialist nations and make it dependent upon payment in ready, convertible currency, H. Berain points out that one obvious consequence of such a move would be nothing other than the senseless delivery of export markets gained with much difficulty into the hands of others.

An almost 700-page book "Prakticheskiye aspekty torgovli mezhdru Vostokom i Zapadom. Ekonomicheskiye otnosheniya v 1977-1990 gg." [Practical Aspects of East-West Trade: Economic Relations from 1977 to 1990] (Kh. Lange-Prohlus is the editor and one of the authors) stands out among recent publications on East-West relations. Written by a large group of prominent specialists, the book contains, in addition to a professional analysis, important business advice, reference material and a solid body of statistical information. For purposes of acquainting business people with Soviet economics it contains, among other things, a fairly detailed description of the five-year plan for 1976-1980, broken down by branches.

Useful recommendations for the further development of bilateral relations are contained in publications of the Federal Institute of Eastern and International Research in Cologne (H. Fogel, director), the Hamburg Institute for Economic Studies (a book by K. Boltz) and the Eastern Europe Institute in Munich (a publication by H. Klement). The works of A. Leban are also of value. The author, who occupies an important position in the Deutsche Bank, has close contacts with research institutions, particularly Göttingen University, one of the centers for the study of these problems.

It should be pointed out, however, that the process of cooperation among nations with different social systems, the moving forces behind this cooperation and its forms are frequently incorrectly interpreted. There are also those frankly opposed to cooperation. Although many of them hold high academic degrees, this does not make their arguments convincing.

All sorts of doubts are frequently expressed as to the expediency of compensatory and cooperative agreements. We know, however, that the long-range and comprehensive nature of such agreements provides great advantages to both parties and gives certainty to the economic future. It gives the Western partners the opportunity to invest large and risk-free amounts of capital in a coordinated production program. Despite this, there are people who regard such agreements as a means by which the socialist nations somehow impose aspects of planning upon the West, with all the accompanying "dangers" effects. A. Schuler, for example, would have us believe that the socialist nations use foreign economic relations to somehow encroach upon the market system and subvert its functioning. Such abstract conclusions are absolutely groundless, of course.

It goes without saying, however, that we must bear in mind the fact that economic reality itself is turning the firms to depart increasingly from the concept of short-term and isolated operations. It has now become standard procedure for companies to compile 5- or 10-year plans in an attempt to avoid the frequently extremely dangerous vicissitudes of an unplanned market. The socialization of production under capitalism has reached a stage at which even state assistance is sometimes inadequate for accomplishing large projects and a combined effort by firms from various nations is required. The capitalist economy is still unplanned, of course, despite the trend toward planning. State-monopolistic regulation (national and international) does not change the fact that unplanned production continues to dominate the entire national economy.

Companies which manage to accurately predict the course of events and to conclude large and reliable long-term agreements create an important support base. This point of departure is taken by business people who, unlike writers such as Schaller, refuse to ignore the specific requirements for competition. R. Hannegen, for example, one of the directors of Tieszen Stahlunion, a member of the Tieszen group, stresses the great importance for his firm of long-term agreements with the socialist nations. "It is our desire," he writes, "to place relations (with the socialist nations--V.P.) onto a long-term basis, which... is in the interest of our group."

Compensatory agreements, which cover up to 10-15 percent of the FRG's trade with the East, have already demonstrated their obvious benefit to both sides. In answer to a question posed in the Bundestag about the "dangers" inherent in compensatory agreements with the socialist nations, a government representative of the FRG stated that no detriment whatsoever has turned up from these agreements and that the effects of such agreements are similar to those of conventional foreign trade.

In reference to compensatory agreements bourgeois expert P. Shelauska, who serves as a linkman between Western exporters and importers trading with the socialist nations, advises that they be turned over to "an experienced importer, who knows all the dangers, the import requirements and trade channels." At the present time more than 30 West German firms are selling goods received from the socialist nations within the framework of the compensatory exchange. One of them is the trading company Kombi Ausfuhrhandel in Dusseldorf. In an interview with a correspondent of *MLADAYA YEMENIYA I MEZHDUNARODNYE OTNOSHENIYA* a leading worker with the firm cited its positive experience in the cooperation with the Soviet Union and other socialist nations in this area and the fact that the level of this cooperation has improved in both quantity and quality.

The misgivings expressed by the above-mentioned J. Beihkenhagen and G. Fink about compensatory agreements as producing only short-lived benefits would seem groundless. They suggest that goods received under such agreements could begin to compete with local products on the FRG market, which would, in turn, prompt the firms affected to limit exports to the CEMA nations for purposes of reducing imports from the latter to the FRG.¹⁰ Such theories are not confirmed by the facts. The FRG has a highly developed chemical industry, for example, with which

the Soviet Union has close contacts. Around 40 percent of the Soviet exports of chemical products to the West are sold in the FRG, without creating any noticeable competition whatever.

Without cooperation with the socialist countries it would be too expensive to manufacture certain articles—this is one of the arguments offered by L. Grosskopf, a leading bourgeois expert, to demonstrate the need to expand international production relations. Unlike the commodity exchange in which the trade element traditionally has the greatest role, industrial cooperation is a new and progressive form of relations, for which the lower levels, that is the production companies and enterprises, provide the motivating force.

N. Ruttler, who is with the Association for the Study of Consumption, Marketing and Sales in Nuremberg, attaches great value to the licensing exchange and production cooperation between the FRG and the socialist nations. He sees great potential possibilities for the continued expansion of cooperation with the Soviet Union in the various branches of machine-building, woodworking and consumer goods production, for example.¹¹

Compensatory agreements are supposed to involve a balancing of interests of the parties involved. In the West, however, there is sometimes a tendency to impose a low-profit division of labor upon the socialist partners. Naturally, various types of cooperative relations are justified under specific circumstances, but when from the very beginning foreign partners are looked upon as something like auxiliary or dangerous shops and are assigned the less-skilled and technically most primitive portion of the work, it goes without saying that this should be viewed as discrimination.

Small companies as well as large ones gain from economic relations with the socialist nations. Of the 1,800 firms cooperating with Soviet foreign trade organizations, 1,500 are small or medium-size. And so, the opinions sometimes heard in the West that small firms cannot find a proper place in world relations contradict the facts. Studies performed by A. Schlemper, a banking expert on socioeconomic problems, showed that more than 70 percent of the enterprises participating in commodity circulation with the GDR are small or medium-size (employing fewer than 500 people).

J. Haas, head of the sales department of a firm producing quartz mercury-vapor lamps in Nuremberg, has an opinion worth hearing. He states that there are many firms in the FRG which would willingly buy products in the CEMA nations. At least, J. Haas adds, we have a great desire to find out for ourselves how we would benefit from cooperating with the socialist nations. He advises West German companies to effect certain organizational measures such as coordinating the operations of small and medium-size firms.¹² At markets and fairs held in the socialist nations small firms presently display their products in shared stands, which reduces their rent and clerical expenses.

An office for the promotion of foreign trade set up at the FRG embassy in Moscow is helping West German firms to establish and maintain contacts with Soviet

foreign trade organizations. The services of this office are used primarily by small and medium-size enterprises, which for reasons of financing or personnel cannot have their own delegations abroad. It offers various kinds of services: providing reference and technical information, acting as intermediary in the establishment of business ties, and providing legal counsel. In its response to a request for information by a group of Bundestag deputies the government especially underscored the usefulness of this office in Moscow and the capitals of a number of other socialist nations.

The purpose of trade and economic cooperation between the socialist and capitalist nations, among other things, lies in the exchange of new developments in science and engineering, advanced technology and modern equipment. Such forms of contact as the leasing or renting of various types of productive and nonproductive stock are becoming increasingly common between the socialist and capitalist nations. If a firm decides to invest funds in some production process, for example, it does not have to purchase the equipment. It can acquire the equipment for a certain period of time after making the proper payment directly from the manufacturer or (and this is most frequently the case) from a special licensing agency, which is ordinarily backed by a bank. After the agreed-upon period of time has elapsed the equipment is returned to the owner. This is a mutually beneficial transaction since the investor receives a considerable portion of the equipment for other purposes, the licensing agency receives a profit amounting to the difference between the total amount of rent paid and the cost of the equipment purchases, and the user sells the goods produced with the equipment.

The first licensing agencies came into being in the FRG in 1962. They now number 300. At the end of 1978 the value of licensed equipment in use totaled between 37 billion and 39 billion DM, and the figure is constantly growing. According to the magazine WIRTSCHAFTSWOCHEN around five percent of all West German investments are made in the form of licensing, but the limit has not been reached by far. It is estimated that the corresponding figure for the United States is 17-20 percent.¹³

When we analyze the FRG's economic relations with the Soviet Union and other socialist countries we must not omit the effect upon employment, a factor so important in the capitalist society. The bourgeois literature regularly publishes data which confirms the direct effect of commercial exports upon production and employment in the FRG. Specifically, the West Berlin Institute for Economic Studies published a special report on this matter in October of 1978. The authors state that "since 1975 the job of every fifth worker has had to do with exports directly or indirectly."¹⁴

Actually, the specific way in which trade with the East affects the labor market in the capitalist nations is to provide guaranteed and planned orders not affected by the vicissitudes of the market. This has been repeatedly proved to the capitalist world. When, in 1929, the greatest economic crisis in the history of capitalism burst upon it, causing extremely severe unemployment in Germany as in other nations, trade with the Soviet Union was one of the factors helping somewhat to ease the situation of the population. As bourgeois economist E. Krongel has said, during the crisis years only the Soviet Union was in a condition to serve as a partner to German industry, and it considerably increased its purchases at that time.¹⁵

Pressure From Without

Using the so-called Afghan issue as a pretext the United States placed an embargo on the shipment of many types of products to the Soviet Union, thereby unilaterally erasing what had been achieved with considerable difficulty in Soviet-American economic relations over the past few years.

At the same time the Carter Administration drastically increased pressure on its allies, including the FRG, in an effort to force them to curtail trade and economic relations with the Soviet Union. A 30-page document (a list of strategic goods) to be discussed in the COCOM [Coordinating Committee] was dispatched over the ocean to the West European capitals. If it were adopted the goods listed would be banned for export. Washington was thereby endeavoring to breathe new life into the notorious international consultative committee, established at the height of the "cold war" at the initiative of the United States for purposes of effecting a joint blockade of the socialist nations. Its prohibitive instructions (known as the COCOM lists) became the symbol of the antisocialist course taken in world economic affairs. Despite all its efforts, however, the committee was not able to dampen the socialist commonwealth's rate of economic progress nor to destroy the foundations of world economic cooperation.

The economic monthly WIRTSCHAFTSDIENST, published in Hamburg, wrote the following about the committee's function: "The past has frequently demonstrated with adequate clarity that an embargo in trade with the East is politically senseless and economically impractical." Noting the divergence of interest among the Western partners, the magazine pointed out the inevitability of disagreements among them with respect to continuing exports to the socialist nations, "especially between the United States and the European countries, to which the Eastern market is incomparably more important than to the Americans."¹⁶

The embargo is now a subject of lively discussion in the FRG as a result of pressure from the other side of the ocean.¹⁷ It is being studied in the light of long, general historical experience. R. Hasse of Cologne University, who has been dealing with problems such as these for a long time, concludes that, although the embargo is an aggressive form of international economic policy, nonetheless it does not insure achievement of the goals set by its instigators. He gives the following basic reasons for the embargo's failure: overestimation of the foreign economic dependence of the nation involved and of its abilities to adapt to the situation, the impossibility of a total embargo, lack of administrative coordination in monitoring adherence to the embargo and insufficient political and economic solidarity on the part of the nations declaring the embargo. With respect to the USSR, Hasse specially points out that an embargo against the Soviet Union could never influence its political course.¹⁸

Events of today give new proof of the total hopelessness of an attempted blockade against the Soviet Union. The results of J. Carter's ban on grain sales to the USSR is assessed in the FRG as a complete failure. The SPIEGEL writes: "The Americans have harmed themselves most of all. The Washington government must pay the farmers billions in compensation out of its inadequate budget."¹⁹ Furthermore,

the farmers will earn less with their grain than they previously earned, if they are able to sell it at all. The fact is that the embargo decision produced a drop in grain prices.

Business circles and economic experts in the FRG are expressing justified fears that a reduction in economic ties with the Soviet Union to please the United States would seriously harm the West German economy. The USSR accounts for a total of 2.3 percent of the FRG's foreign trade turnover. This might appear to be a small percentage. It should be borne in mind, however, that the FRG purchases a number of extremely important goods in the USSR. Contracts with the Soviet Union go a long way toward insuring a reliable and uninterrupted energy supply for the FRG.

Exports to the USSR are also highly important to the FRG, since they have given the main branches of West German industry a guaranteed market for their products. The steel-founding industry, for example, which has now improved its situation somewhat following a four-year crisis, attaches great importance to business deals with the Soviet Union. A country such as the FRG cannot satisfy its export-import requirements without concluding large-scale agreements. Officials and business circles are therefore against limiting transactions with the Soviet Union to 100 million dollars, as the United States insists.

Let us look at yet another aspect of cooperation--the territorial factor. The Port of Hamburg, extremely important to West German trade, receives considerable profits from operations conducted with Soviet foreign trade organizations on the basis of bilateral contracts from through traffic and naval freight shipments. Soviet vessels visited the port to load and unload almost a thousand times in 1979, and the cargo turnover of 5 million tons made up 8 percent of the total passing through the port.²⁰ Since all aspects of the city's commercial life could be affected considerably by the embargo the Hamburg authorities are not concealing their intention to adhere to the traditional Hanseatic rule of remaining open to all vessels.

Incidentally, the regional structure of Soviet shipments to the FRG demonstrates the fact that there are significant differences between the federal states (Länder). While Bavaria and Hesse are active in trade with the USSR (their portion of total West German imports considerably exceeds their portion of the nation's total population), North Rhine-Westphalia and Lower Saxony lag considerably in the amount of purchases they make in the Soviet Union. The Federal Union of Wholesale and Foreign Trade pointed this out in 1979 in the belief that this situation holds one of the possibilities for expanding foreign economic relations.

In 1980 it will have been 25 years since diplomatic relations were established between the USSR and the FRG--a relatively short period of time, but one filled with events. In the area of economic relations this anniversary was marked by a new and extremely important development. There is reason to hope that the signing of the long-term program covering the main trends in cooperation between the USSR and the FRG in the area of economics and industry will contribute to the continued beneficial development of bilateral political cooperation on a solid foundation of mutual gain and in the interest of peaceful coexistence and detente in Europe.

FOOTNOTES

1. HANDELSBLATT, 26 March 1979.
2. EKONOMICHESKAYA GAZETA, No 16, 1980.
3. J. Bethkenhagen and G. Fink, "Perspektiven des Osthandels der Bundesrepublik Deutschland bis 1985" [Eastern Trade Prospects for the Federal Republic of Germany to the Year 1985], Cologne, 1978, p 2.
4. COOPERATION, No 1, 1979, p 15.
5. EUROPA-ARCHIV, 25 May 1979, p 291.
6. DIE WELT, 10 July 1979.
7. R. Krengel, "Die Bedeutung des Ost-West-Handels für die Ost-West-Beziehungen" [The Importance of East-West Trade for East-West Relations], Göttingen, 1967.
8. "Investition statt Klassenkampf" [Investment Instead of Class-Warfare], Bonn, 1978, pp 93-109.
9. OST-WEST COMMERZ, Special Edition No 1, 1979, p 28.
10. J. Bethkenhagen and G. Fink, Op. cit., pp 41-42.
11. COOPERATION, No 2, 1979, p 34.
12. OST-WEST COMMERZ, Special Edition No 1, 1979, p 16.
13. WIRTSCHAFTSWOCHE, 14 May 1979, p 52.
14. DIW-WOCHENBERICHT, 19 October 1978, p 402.
15. R. Krengel, Op. cit., p 63.
16. WIRTSCHAFTSDIENST, October 1978, p 483.
17. The West German literature discusses the difference between the concepts "embargo" and "boycott." An embargo is understood as official state actions, whereas a boycott is at the discretion of the private firms.
18. WIRTSCHAFTSDIENST, March 1980, pp 116-118.
19. DER SPIEGEL, 28 April 1980, p 1943.
20. OST-WEST COMMERZ, No 2, 1980, p 35.

COPYRIGHT: Izdatel'stvo "Pravda", "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1980

11499

CSO: 1825

END

END OF

FICHE

DATE FILMED

Feb. 11 1981



